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Kenneth Rust
Director, Federal Regulatory Affairs

Bell Atlantic

March 12, 1999

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ex Parte

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 12th Street, SW
Washington, DC 20554

Re: CC Docket Nos. 96-45 & 97-160

Dear Ms. Salas:

Yesterday, Vin Callahan and Dan Harris, representing Bell Atlantic, met with Chuck Keller, Katie King, and Bob Loube of the Common Carrier Bureau's Accounting Policy Division regarding the items captioned above. The attached material formed the basis of the presentation made by the Bell Atlantic representatives.

Any questions on this filing should be directed to me at either the address or the telephone number shown above.

Sincerely,

Ken. Rust

Attachment

Cc: C. Keller
K. King
R. Loube

Bell Atlantic's HCPM Proxy Model Review

March 11, 1999

Concerns

- Analysis and evaluation could only begin with the latest HCPM version, released February 16, 1999, due to data, documentation and frequent model update changes.

- Any effort to size or distribute high cost funding using the model cannot be evaluated for the following reasons:

  - Geocoded data does not include: Alaska, Iowa, Virginia and Puerto Rico.
  - Eight-two (82) wirecenters are missing in twenty-three (23) other states.
  - The FCC selected revenue or cost benchmark is unknown.

Preliminary Analysis

- HCPM model line counts and loop lengths do not agree with actual wirecenter line counts and loop lengths in the Bell Atlantic footprint (excluding Virginia where no data is available from PNR).

Impact

- To determine the cost per loop by wirecenter, the total wirecenter cost is divided by the total loops in the wirecenter. If the loop counts are not correct, the cost per loop is not accurate.
- Approximately 85% of any line's cost is determined by the loop cost (i.e., 10% for switching and 5% for transport). If the model's loop lengths are incorrect, the model's cost per line in a given wirecenter is also incorrect.

Possible Solutions

- The level of aggregation of the cost data must be at the study area level (as recommended by the Joint Board) or higher to minimize any potential errors.

Bell Atlantic's preliminary analysis however indicates that model line counts do not agree with actual line counts at the study area level, to date.

Recommendations

- The urgency to adopt a model by July 1, 1999 for non-rural companies to determine high cost support is unnecessary and will not satisfy Universal Service concerns for the following reasons:
- The HCPM model is not ready to be adopted without further testing, analysis and evaluation.
- The need for any model to address Non-Rural High Cost is questionable since :

- The 1999 non-rural portion of the high cost fund (excluding insular properties) is projected to be $69M, a decrease of 35% from 1998 ($106M).

- In 1998, 13% of the total high cost fund was allocated to non-rural companies (excluding insular)[1]

- In 1999, the percentage of high cost funding allocated to those same companies is 8%[2]

Sources: [1]1998 data: FCC Monitor Report, December 1998